HOUSING MARKET OUTLOOK

Trois-Rivières

Canada Mortgage and Housing Corporation

www.cmhc.ca

SPRING-SUMMER 2005

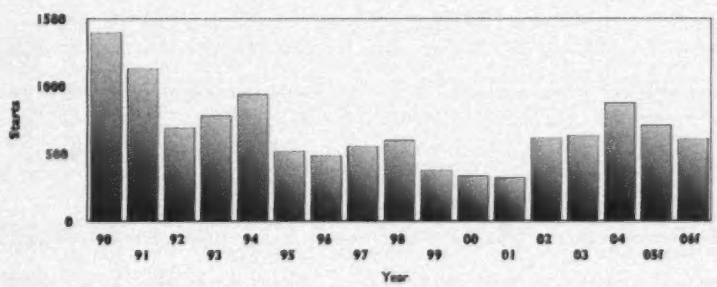
Activity to stay vigorous in 2005 before declining in 2006

- ✓ Residential construction will slow down after having reached a peak in 2004.
- ✓ Apartment construction will be on the decline following a high point last year.
- ✓ The freehold housing segment will stay very active in 2005 (500 units) before slowing down in 2006 (410 units).
- ✓ The rental housing vacancy rate will rise at a moderate pace over the next two years.
- ✓ Mortgage rates will sustain upward pressure but will remain at low levels.
- ✓ Resale market activity will remain intense, which will lead to 825 MLS®* transactions in 2005. Next year, this market will run out of steam to a certain extent, as 775 resales are anticipated.
- ✓ Job creation will rise again after a more difficult year in 2004.

* Multiple Lising Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association (CREA).

Residential Construction

Trois-Rivières Census Metropolitan Area



f : CMHC forecast Source : CMHC

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Residential construction will slow down after an exceptional year in 2004

After a very prolific year in terms of housing starts in the Trois-Rivières census metropolitan area (CMA), the pace should slow down starting in 2005, while remaining at a very high level. The major upsurge in existing home prices and the decrease in the choice drove many households to opt for the construction of a new home last year.

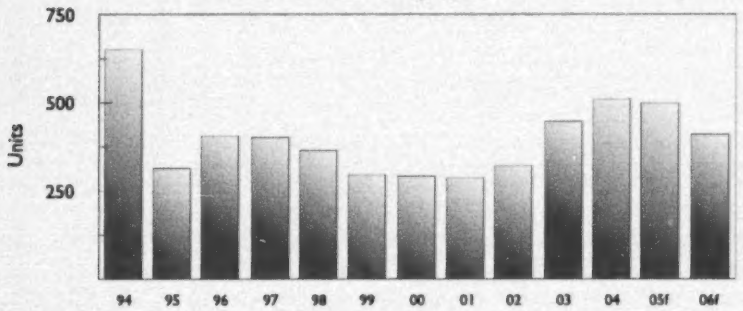
The starts volume will remain high this year, but slightly below the level recorded in 2004. The performance will be buoyed up by continued affordable mortgage rates, a resale market that will continue to offer few new properties for sale, and a vacancy rate at its lowest level. For the current year, starts will attain 710 units, down by 19 per cent from the peak reached in 2004. In 2006, a decline of 14 per cent is anticipated, as construction should get under way on 610 units.

The decline will be attributable to apartment starts, which will go down, after having doubled last year. Developers are more cautious, and they are expecting a vacancy rate hike, as has already been observed on the retirement home market. The addition of many new units last year, combined with a slowdown in employment for people aged from 15 to 24 years in 2004, which temporarily limited demand, will be responsible for the weaker apartment construction. Such starts should therefore fall to 200 units this year and 180 units next year.

The new rental housing units offered on the market will increase the choice for tenants by driving up the vacancy rate, which should rise to 2.0 per cent this year and then to 2.3 per cent in 2006.

Freehold Housing Starts

Trois-Rivières Census Metropolitan Area



Source: CMHC

Single-family housing starts will remain at a high level this year

In the case of freehold home building, the level of activity in 2005 will be comparable to the volume registered last year. However, a slowdown is anticipated in 2006. The increase in prices, a resale market that will be offering slightly more choice, and slower growth in the number of households will account for this decline. In addition, the anticipated rise in mortgage rates will have sped up home purchases by households who were still hesitant to take the plunge into homeownership in the last two years, and this will have limited the pool of potential buyers. In all, there should be 500 single-family home starts in 2005, and 410 more next year.

Mortgage rates to rise slowly in 2005 and 2006

Mortgage rates should remain low. They should rise by about 50 basis points in 2005 and also in 2006. Controlled inflation, a continued strong Canadian dollar against the U.S. dollar, and moderate economic growth will limit the increase in mortgage rates in 2005 and 2006.

The rate for a one-year term will range from 4.50 per cent to 5.50 per cent, while the five-year rate will hover between 5.75 per cent 6.75 per cent. However, given the intense competition on the mortgage market, the posted rate increases do not necessarily mean that the rates negotiated between lenders and borrowers will be higher.

In another context, the decrease in consumer confidence and the increase in bankruptcies in Quebec are toning down the generally favourable climate for home buying. However, this effect is still modest. In fact, even if 27 per cent of Quebec residents are expecting a drop in their buying power, three times as many of them as last year are planning to buy a home in 2005. The negative impact of the decrease in confidence could therefore be limited to the upscale market, generally the first segment to be affected by a turnaround in the trend. As for bankruptcies, while they may have risen by 3 per cent in 2004 in Quebec, they are still far, at 23,166, from the peak of 26,970 registered in 1997.

Resale market to maintain its good performance in 2005 before slowing down next year

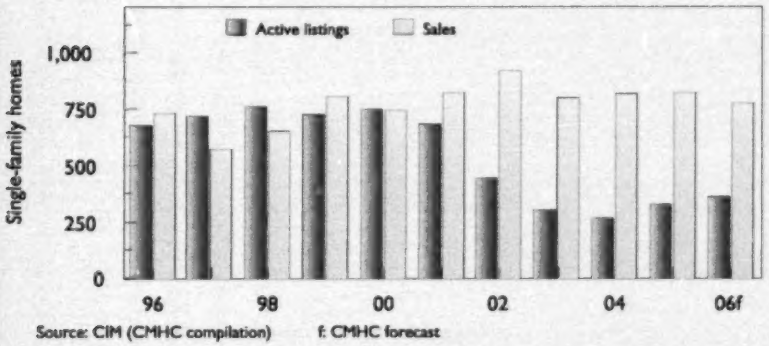
After having reached an unprecedented peak of more than 900 MLS® transactions in 2002, the resale market has slowed down slightly to about 800 sales per year since 2003. The lack of properties for sale contributed to the slowdown, by hindering market expression during the hectic years in the housing sector.

The year 2004 ended with 816transactions, and the new year should allow the area to post a comparable result. While the number of properties for sale is starting to rise and the choice is being renewed more rapidly, we will not see a major increase in the volume of transactions. In fact, the significant rise in prices for many years now will dampen the enthusiasm of quite a few households. However, the good per-formance of the economy, which genera-ted a significant number of jobs in 2003, will have a positive impact for buyers during the first half of the year. Resales are therefore expected to rise slightly to 825 units this year.

It will be more in 2006 that the rise in mortgage rates, the increase in prices, and the decline in employment in 2004 will have an effect. Resales should then come down and reach 775 units, for a decrease of 6 per cent.

Since the supply of properties for sale is tending to grow over the quarters, the number of sellers for every buyer should rise to 4.7 in 2005 and 5.6 in 2006. These levels will still be below the balanced range, estimated at between 8 and 10 sellers per buyer, which should therefore bring about price increases above inflation. These hikes will be smaller, though, as single-detached homes should sell for $110,000 (+5 per cent) in 2005 and $114,500 (+4 per cent) in 2006, in the Trois-Rivières CMA. We will then be quite far from the average price of $75,700 observed in 2001.

MLS® Sales
Trois-Rivières Census Metropolitan Area



Source: CIM (CMHC compilation) f: CMHC forecast

Economic overview

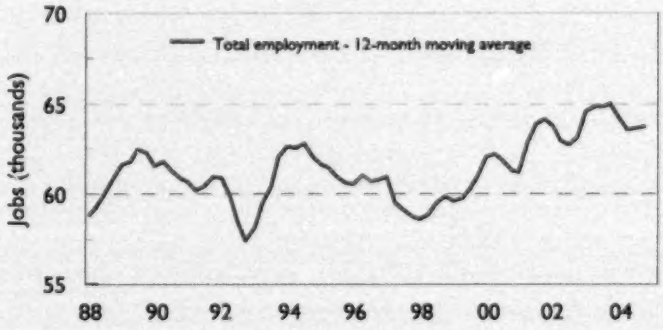
In the Trois-Rivières CMA, the labour market is starting to rise again after having sustained a slowdown in 2004. In recent years, job creation has followed a positive trend, which has favoured the housing market.

New housing demand will be slightly weaker in the second half of 2005, as a result of the decline in employment during the past year. It is important to note here that the real estate market is not perfectly synchronized with the labour market. In fact, there is lag between getting a job and deciding to buy or rent a home.

For people aged from 15 to 24 years, a rather active age group notably on the rental market, full-time employment has been slowing down since the beginning of 2004, and the trend should stabilize during the year in the area. The pressure should therefore ease, particularly on the rental market.

Overall, however, job creation should be positive over the next two years, which will allow the housing market to continue posting good performances.

Employment on the Rise Again After Falling in 2004
Trois-Rivières Census Metropolitan Area



Source: Statistics Canada

FORECAST SUMMARY
Trois-Rivières Census Metropolitan Area
Spring-Summer 2005

	2003	2004	2005f	2006f	2004/2005	2005/2006
RESALE MARKET [1]						
Freehold						
MLS® sales	799	816	825	775	1%	-6%
Active MLS® listings	301	269	325	360	21%	11%
Sellers per buyer	4.5	4.0	4.7	5.6	--	--
Average MLS® price ($)						
Single-detached homes	92,400	104,800	110,000	114,500	5%	4%
NEW HOME MARKET						
Starts						
Total	635	874	710	610	-19%	-14%
Freehold	447	514	500	410	-3%	-18%
Condominium	3	0	10	20	--	100%
Rental	185	360	200	180	-44%	-10%
RENTAL MARKET						
Vacancy rate (October) (%)	1.5	1.2	2.0	2.3	--	--
Average rent (2-bedroom) ($)	436	457	480	495	5%	3%
ECONOMIC OVERVIEW						
Mortgage rate - 1-year (%)	4.8	4.6	5.0	5.6	--	--
Mortgage rate - 5-year (%)	6.4	6.2	6.3	6.7	--	--
Annual change in employment	2,325	-1,275	600	800	--	--

[1] *The publication of MLS® data is made possible thanks to the collaboration of the Quebec Federation of Real Estate Boards and the Chambre immobilière de la Mauricie. This data may differ from previously published data.*

f: CMHC forecasts

Sources: CMHC and Statistics Canada

For more information about this publication, please contact our:

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